

MULTIFAMILY TAX EXEMPTION PROGRAM

2010 PROGRESS REPORT

Seattle Office of Housing, September 22, 2010

MFTE Program History

- ❑ Enacted 1998, sunset in 2002
- ❑ Re-enacted 2004
- ❑ Amended 2008
 - ▣ 12-year exemption on residential improvements
 - ▣ 39 eligible areas across the city
 - ▣ Affordability levels adjusted due to rising market rents
 - ▣ Applications must be submitted prior to building permit; however 9 projects under development also approved
- ❑ Sunsets December 2010

Program Goals

- Help make housing projects feasible in weak market areas
- Produce affordable housing units in market rate developments
- Assist with project economics for affordable developments not eligible for the State nonprofit property tax exemption (serving households above 50% median income)

Housing Production

- 39 housing developments approved
- Increased demand in past 2 years

Program Years	Projects	Total Units	Affordable Units
1998 to June 2008	17	1,910	717
July 2008 to June 2010	22	3,510	1,241
Total	39	5,020	2,069

Housing Characteristics

34 Rental Housing Developments

- 25 for-profit owners; 9 nonprofit
- 33 new construction; 1 existing building with added units
- No displacement of tenants

5 Ownership Developments

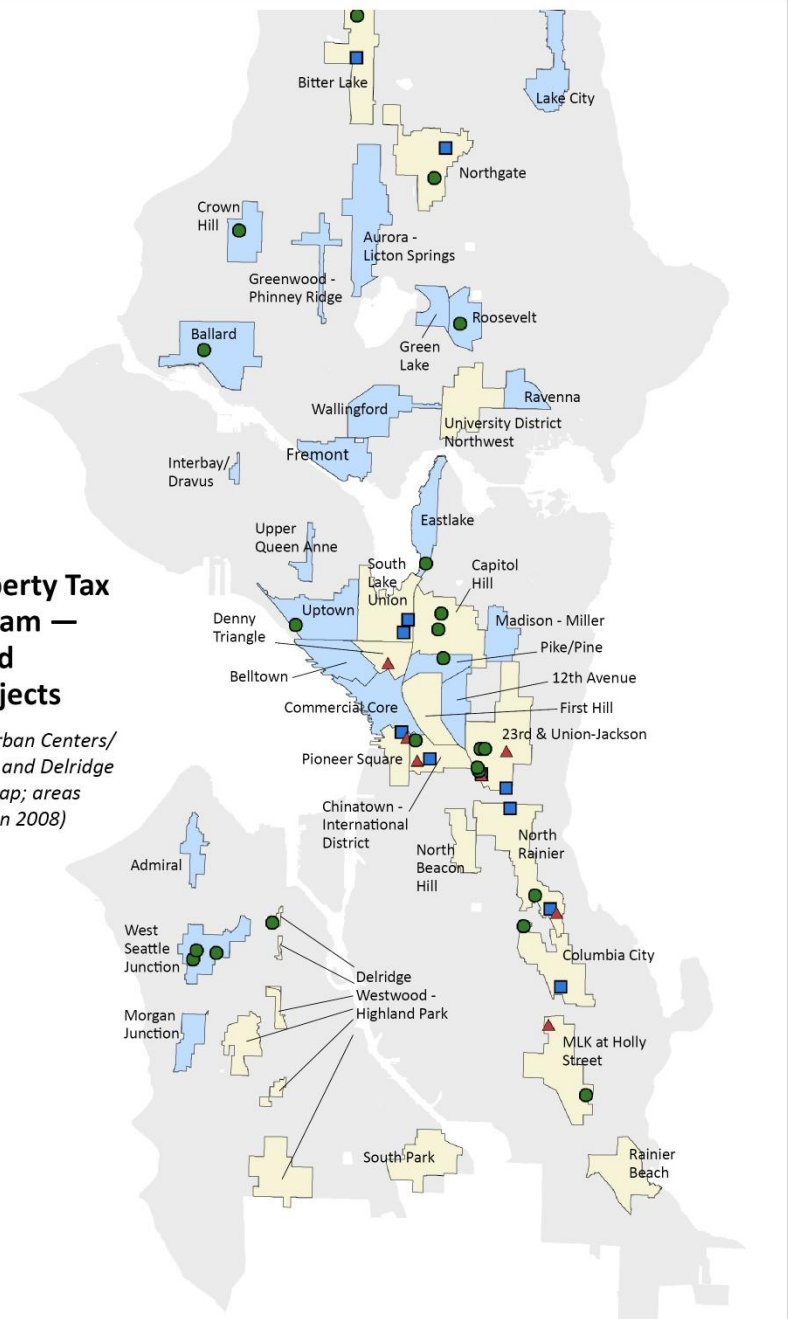
- Nearly 100 affordable units
- All nonprofit developers

MFTE Program: Eligible Areas and Participating Projects

Multifamily Property Tax Exemption Program — Eligible Areas and Participating Projects

*Program is available in Urban Centers/
Villages, Interbay/Dravus and Delridge
Valley (areas shown on map; areas
shaded blue were added in 2008)*

- ▲ 1998 - 2002
- 2004 - June 2008
- July 2008 - present



Affordable Units

2,069 Affordable Units – 41% of total MFTE Production

- 821 units at MFTE affordable rent levels
- 1,149 units at lower rents – typically 60% AMI – both nonprofit and for profit developments
- 99 ownership units

Estimated Tax Impact

Estimated tax shift to Seattle property owners

Program Years	Projects	Estimated 1 st Year Exemption	Estimated Total Exemption	Estimated Impact to Average Homeowner
1998-02	7	\$159,000	\$1.8 m	\$0.67/yr
2004-08	10	\$536,300	\$5.8 m	\$2.14/yr
2008-10	22	\$1.616 m	\$20.5 m	\$6.21/yr
Total	39	\$2.312 m	\$28.1 m	\$9.02/yr

Recent Developments

22 Projects approved since July 2008

- 14 projects now completed – fully occupied, leasing or for sale; 9 of these under development in 2008
- 5 projects under development; 3 pending
- 10 for-profit, 4 nonprofit projects
- 9 projects in neighborhoods added in 2008
- No demolition of housing occupied within 18 months prior to MFTE application

Recent Developments - continued

- Providing construction-related jobs and State/local revenue during a weak economy
- Providing needed housing when many developments could not go forward due to lower rents and difficulties with assembling financing

Recent Affordability Trends

1,241 Affordable Units – 35% of total

- Market rent increases in 2009-2010 lower than projected, while HUD incomes continued to rise
- MFTE maximum rents for affordable studio units now close to market rate for new construction
- Rents predicted to increase 2011-2012, and HUD incomes expected to rise only modestly
- “Spread” between MFTE affordable rents and market rents expected to grow

Issues for Program Renewal

- Expand reporting for Council oversight:
 - ▣ annual project and program summaries
 - ▣ 5-year program evaluation for renewal in 2015
- Adjust affordability requirements to:
 - ▣ stimulate housing development
 - ▣ provide affordability
 - ▣ seek stable affordability levels through market cycles

Issues for Program Renewal – cont.

- Streamline project approval process and reduce fees: State law no longer requires Council resolution for each project
 - ▣ Consistent with other OH programs: Council sets policy guidelines and reviews program progress
- Map adjustment in Rainier Beach: include adjacent NC-zoned properties
- Update application materials: add ownership information, authorize OH to revise as needed